

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham &amp; Gellray, P.C.</i> <i>Alan M. Stone</i>			Date	

**Township of Eagle  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2004**

Township of Eagle  
Clinton County, Michigan  
March 31, 2004  
BOARD OF TRUSTEES

David Morris	Supervisor
Wendy Simmons	Clerk
Patti Schafer	Treasurer
Steve Colby	Trustee
Pat Hazen	Trustee

Township of Eagle  
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March 31, 2004

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**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

**INDEPENDENT AUDITOR'S REPORT**

Members of the Township Board  
Township of Eagle  
Eagle, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining information of the Township of Eagle, Michigan as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Eagle's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the Township of Eagle for the year ended March 31, 2003, were audited by other auditors whose report dated September 14, 2003, expressed an unqualified opinion on those statements.

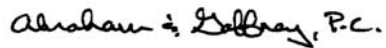
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the audit of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining information of the Township of Eagle, Michigan as of March 31, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of April 1, 2003, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Eagle's financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

July 22, 2004

### **New Financial Reporting**

Starting with fiscal year 2004, the Township of Eagle, Michigan (the "Township") has revised and improved its financial reporting document. These changes are a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, customers, and investors with a better understanding of how the Township's money and other assets are managed.

The new standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Township. The new standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the Township's financial status. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Township's financial health.

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2004. Please read it in conjunction with the Township's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2004:

- State shared revenue, our second largest revenue source in the General Fund, was reduced by the State of Michigan by approximately \$11,643 this year. This reduction was the result of reduced sales tax revenues collected by the State and changes in the distribution formula used by the State. Over the past few years, the State has overestimated its projected revenues to be shared with local governments.
- Property tax revenues decreased approximately \$9,536 from the prior year. The decrease is the net result of not having an assessment for the Clark Road paving project, a collection fee received for the new state mandated SET summer tax collection, and increasing property values in the Township.
- The Township incurred costs of \$63,238 for a Road Paving Project that was not anticipated when the original budget was adopted.
- A re-appraisal process was started during the 2003-2004 fiscal year and the Township hired an outside assessing service. Costs for the year that related to this process amounted to \$20,849.
- Total fund balances related to the Township's governmental funds decreased by \$515,399.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Eagle as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township of Eagle in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township of Eagle acts solely as a trustee or agent for the benefit of those outside the government.

**The Township as a Whole**

The following table shows, in a condensed format, the net assets as of March 31, 2004. A comparative analysis of data will be presented in future years when the information is available.

<b>Assets</b>	
Current assets	\$ 167,159
Noncurrent assets	<u>757,270</u>
Total assets	924,429
<b>Liabilities</b>	
Current liabilities	55,636
Long-term liabilities	<u>506,387</u>
Total liabilities	<u>562,023</u>
<b>Net Assets</b>	
Invested in capital assets, Net of related debt	158,748
Unrestricted	<u>203,658</u>
Total net assets	<u>\$ 362,406</u>

The Township's total net assets were \$362,406 at March 31, 2004. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$203,658 at the end of the fiscal year. The net asset invested in capital assets, net of related debt were at \$158,748. The management's discussion and analysis will present a condensed comparative statement of net assets next year when we have two years of statements in the GASB Statement No. 34 format.



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**Management's Discussion and Analysis**

The following table shows the changes in net assets during the current year. Future reports will provide comparative data for the statement of activities. Comparative data is not required during the first year of reporting under requirements of GASB Statement No. 34.

**Revenue**

Program revenue:	
Charges for services	\$ 48,829
Operating grants and contributions	1,211
Capital grants and contributions	13,000
General revenue:	
Property taxes	217,501
State shared revenue	151,052
Investment earnings	4,642
Other revenue	<u>4,411</u>
Total revenue	440,646

**Program Expenses**

General government	105,783
Public safety	677,198
Public works	88,183
Health and welfare	112,299
Other	36,557
Interest on long-term liabilities	<u>18,016</u>
Total program expenses	<u>1,038,036</u>

**Change in Net Assets** \$ ( 597,390 )

**Governmental Activities**

The Township's governmental revenues totaled \$440,646 with the greatest revenue source being property taxes. Property taxes make up approximately 49.4 percent of total governmental revenue. Over the past few years, state shared revenue and interest income have both declined.

The Township incurred expenses of \$1,038,036 during the year. The majority of governmental expense is associated with the public safety function, which includes fire and police services.

**The Township's Funds**

The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township of Eagle as a whole. The Township of Eagle's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The Township's major funds for the fiscal year ended March 31, 2004 include the General Fund and the Emergency Services Fund.

The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was emergency management, which incurred expenditures of \$579,523 for the fiscal year. Emergency services are partially supported by a special public safety millage, which is recorded in the Emergency Services Fund.

### **General Fund Budgetary Highlights**

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover the costs of reassessing the property in the entire Township, as well as increasing the budget for road projects that were not expected to be financed this year. However, because all departments came in under budget at year end, there was an overall favorable variance of approximately \$49,000 from budget.

### **Capital Asset and Debt Administration**

At the end of the fiscal year, the Township had approximately \$630,000 invested in a broad range of capital assets, including buildings, land, equipment, and capital assets held by the Looking Glass Regional Fire Authority, a joint venture that the Township of Eagle participates in with the Charter Township of Watertown. In addition, the Township has made certain investments in roads and drains within the Township of Eagle. These assets are not reported in the Township of Eagle's fund statements, because under Michigan law, these roads and drains are the property of the Clinton County Road and Drain Commissions, respectively.

The Township issued \$130,000 in new debt during the fiscal year. This debt was used to finance the completion of construction of the facility that houses the Looking Glass Regional Fire Authority.

### **Current Economic Factors**

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack. The governor's proposed budget for the State's 2003/04 fiscal year calls for a reduction of 3 percent of total revenue sharing. This should mean an additional reduction in revenue sharing of approximately \$4,500 to the Township of Eagle.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall.

## **BASIC FINANCIAL STATEMENTS**

Township of Eagle  
STATEMENT OF NET ASSETS  
March 31, 2004

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 119,904
Accounts receivable	8,765
Due from other governmental units -	
Local	15,286
State	20,206
Prepaid expenses	<u>2,998</u>
Total current assets	167,159
Noncurrent assets	
Advance to fiduciary fund	18
Equity interest in Looking Glass Regional Fire Authority	750,955
Capital assets, net	<u>6,297</u>
Total noncurrent assets	<u>757,270</u>
TOTAL ASSETS	924,429
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	1,736
Accrued interest payable	1,608
Current portion of long-term debt	<u>52,292</u>
Total current liabilities	55,636
Noncurrent liabilities	
Noncurrent portion of long-term debt	<u>506,387</u>
TOTAL LIABILITIES	<u>562,023</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	158,748
Unrestricted	<u>203,658</u>
TOTAL NET ASSETS	<u><u>\$ 362,406</u></u>

See accompanying notes to financial statements.

Township of Eagle  
STATEMENT OF ACTIVITIES  
Year Ended March 31, 2004

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 105,783	\$ 27,777	\$ -	\$ -	\$ (78,006)
Public safety	677,198	10,323	-	-	(666,875)
Public works	88,183	-	1,211	13,000	(73,972)
Health and welfare	112,299	10,729	-	-	(101,570)
Other	36,557	-	-	-	(36,557)
Interest on long-term debt	18,016	-	-	-	(18,016)
Total governmental activities	<u>\$ 1,038,036</u>	<u>\$ 48,829</u>	<u>\$ 1,211</u>	<u>\$ 13,000</u>	(974,996)
General revenues:					
Property taxes					217,501
State shared revenue					151,052
Investment earnings					4,642
Other					<u>4,411</u>
Total general revenues					<u>377,606</u>
Change in net assets					(597,390)
Net assets, beginning of the year					<u>959,796</u>
Net assets, end of the year					<u>\$ 362,406</u>

See accompanying notes to financial statements.

Township of Eagle

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2004

	General	Emergency Services	Other Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 34,348	\$ 66,573	\$ 18,983	\$ 119,904
Accounts receivable	2,184	6,581	-	8,765
Prepaid expenditures	2,998	-	-	2,998
Due from other governmental units -				
Local	6,758	8,448	80	15,286
State	20,206	-	-	20,206
Advance to fiduciary fund	18	-	-	18
<b>TOTAL ASSETS</b>	<b>\$ 66,512</b>	<b>\$ 81,602</b>	<b>\$ 19,063</b>	<b>\$ 167,177</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,736	\$ -	\$ -	\$ 1,736
<b>FUND BALANCES</b>				
Reserved for:				
Prepaid expenditures	2,998	-	-	2,998
Advance to fiduciary fund	18	-	-	18
Unreserved				
Undesignated, reported in:				
General fund	61,760	-	-	61,760
Special revenue funds	-	81,602	19,063	100,665
<b>TOTAL FUND BALANCES</b>	<b>64,776</b>	<b>81,602</b>	<b>19,063</b>	<b>165,441</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 66,512</b>	<b>\$ 81,602</b>	<b>\$ 19,063</b>	<b>\$ 167,177</b>

See accompanying notes to financial statements.

Township of Eagle

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

March 31, 2004

**Total fund balances - governmental funds** \$ 165,441

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	10,494
Accumulated depreciation is	<u>(4,197)</u>

Capital assets, net	6,297
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Equity interest in the Looking Glass Regional Fire Authority are not current financial resources and therefore is not reported as a asset in the governmental funds.	750,955
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Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the Governmental Funds Balance Sheet.  
Long-term liabilities at year-end consist of:

Direct Township obligations	(558,679)
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Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the Governmental Funds Balance Sheet.  
Long-term liabilities at year-end consist of:

Accrued interest payable	<u>(1,608)</u>
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<b>Net assets of governmental activities</b>	<b><u>\$ 362,406</u></b>
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See accompanying notes to financial statements.

Township of Eagle

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2004

	General	Emergency Services	Other Non-major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 72,399	\$ 143,742	\$ 1,360	\$ 217,501
Licenses and permits	2,184	-	-	2,184
Intergovernmental - local	151,052	-	1,211	152,263
Charges for services	23,963	10,729	-	34,692
Interest and rents	5,817	349	106	6,272
Other	17,411	10,323	-	27,734
TOTAL REVENUES	272,826	165,143	2,677	440,646
EXPENDITURES				
Current				
General government	101,586	-	-	101,586
Public safety	579,523	97,675	-	677,198
Public works	86,401	-	1,782	88,183
Health and welfare	-	112,299	-	112,299
Other	36,557	-	-	36,557
Capital outlay	5,914	-	-	5,914
Debt service	64,308	-	-	64,308
TOTAL EXPENDITURES	874,289	209,974	1,782	1,086,045
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(601,463)	(44,831)	895	(645,399)
OTHER FINANCING SOURCES				
Note proceeds	130,000	-	-	130,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(471,463)	(44,831)	895	(515,399)
Fund balances, beginning of year	536,239	126,433	18,168	680,840
Fund balances, end of year	\$ 64,776	\$ 81,602	\$ 19,063	\$ 165,441

See accompanying notes to financial statements.



Township of Eagle

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2004

**Net change in fund balances - total governmental funds** \$ (515,399)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	5,914	
Depreciation expense	(4,197)	
	1,717	
Excess of capital outlay over depreciation expense		1,717

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Loan proceeds	(130,000)	
Debt principal retirement	46,563	
	(83,437)	
		(83,437)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	(271)	
	(271)	

**Change in net assets of governmental activities** \$ (597,390)

See accompanying notes to financial statements.

Township of Eagle  
Fiduciary Funds  
STATEMENT OF NET ASSETS  
March 31, 2004

	Agency Funds
ASSETS	
Cash	\$       18
LIABILITIES	
Advance from General Fund	\$       18

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Eagle Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present all financial activities of the Township of Eagle. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of Eagle Township contain all the funds controlled by the Township Board.

2. Joint Venture

Looking Glass Regional Fire Authority (the Authority) was established by the Township of Eagle and the Charter Township of Watertown. The Authority was incorporated in October 2001, under the provisions of Act 7, Public Acts of 1967, known as the Urban Cooperation Act of 1967. The Authority is governed by a board composed of the residents of each of the constituent Townships. The Authority was formed to operate, maintain, administer, and manage a joint fire department for the benefit of constituent municipalities. The Township of Eagle currently is represented by two (2) of the five (5) members of the Authority board. The Township of Eagle's equity interest in the Authority was \$750,955.

The members of the Authority and percentage of responsibility are as follows:

Eagle Township	35%
Watertown Township	65%

Financial statements of the Authority can be received from the Authority's administrative office.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Basis of Presentation - continued

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Emergency Services Fund is used to report emergency services that are financed primarily by property taxes or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management and control, or other purposes.

4. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Basis of Accounting - continued

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, and public funds money market accounts.

7. Property Tax

The Township of Eagle bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied annually on December 1, and are payable through February 14. All taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental services and additional amounts for emergency services operations. For the year ended March 31, 2004 the Township levied 0.9564 and 1.5000 mills per \$1,000 of assessed valuation for general governmental services and emergency services, respectively. The total taxable value for the 2003 levy for property within the Township was \$78,638,762.

The levy for emergency services is applied to state equalized value as permitted. The total state equalized value for the 2003 levy for property within the Township was \$93,856,350.

8. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and State shared revenues and accounts receivable related to charges for services.

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Capital Assets

Capital assets include buildings and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	40 years
Equipment	3 - 20 years

10. Budgets and Budgetary Accounting

The General Fund budget shown in the financial statements was prepared on a basis consistent with the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level for the General Fund through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities, or any revisions that alter the total expenditures of the fund or activity, must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

11. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the General Fund for a payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

12. Comparative Data

Comparative data for the year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

13. Total Columns on Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

14. Accounting Change

As of April 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$81,962, which was the restricted amount previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Township's applicable capital assets.
- Long-term obligations reported on the statement of net assets include \$475,266, which was previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

The implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and various other disclosures.

**NOTE B: CASH AND CASH EQUIVALENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

Township of Eagle

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

The Township's cash and cash equivalents at March 31, 2004, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash		
Checking and savings accounts	\$ <u>119,811</u>	\$ <u>196,312</u>

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2004, the Township accounts were insured by the FDIC for \$100,000, and the amount of \$96,312 was uninsured.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year end.

As of March 31, 2004, the carrying amount and market values for each investment are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Uncategorized pooled investment funds	\$ <u>93</u>	\$ <u>93</u>

**NOTE C: ADVANCES RECEIVABLE AND PAYABLE**

The following schedule details advances receivable and payable between funds of the primary government at March 31, 2004:

Advance to fiduciary funds from:	
General Fund	\$ <u>18</u>



Township of Eagle  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

**NOTE D: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2004 was as follows:

	Restated Balance <u>April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2004</u>
Governmental activities				
Buildings	\$ 73,863	\$ -	\$ -	\$ 73,863
Equipment	<u>8,099</u>	<u>2,395</u>	<u>-</u>	<u>10,494</u>
Totals at historical cost	81,962	2,395	-0-	84,357
Less accumulated depreciation for:				
Buildings	( 73,863 )	-	-	( 73,863 )
Equipment	<u>( 1,872 )</u>	<u>( 2,325 )</u>	<u>-</u>	<u>( 4,197 )</u>
Total accumulated depreciation	<u>( 75,735 )</u>	<u>( 2,325 )</u>	<u>-0-</u>	<u>( 78,060 )</u>
Capital assets, net	<u>\$ 6,227</u>	<u>\$ 70</u>	<u>\$ -0-</u>	<u>\$ 6,297</u>

Depreciation expense of \$2,325 was included on the statement of activities under the "general government" function.

**NOTE E: LONG-TERM DEBT**

The following is a summary of changes in long term debt (including current portion) of the Township for the year ended March 31, 2004:

	Balance <u>April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2004</u>	Amounts Due Within <u>One Year</u>
PRIMARY GOVERNMENT					
Governmental activities					
Notes payable	<u>\$ 475,266</u>	<u>\$ 130,000</u>	<u>\$ 46,587</u>	<u>\$ 558,679</u>	<u>\$ 52,292</u>

Significant details regarding outstanding long-term debt (including current portions) are presented below:

The Members of the Township Board of the Township of Eagle are party to two (2) long-term debt loan agreements. The proceeds of these promissory notes were used to finance thirty-five percent of the costs of Looking Glass Regional Fire Authority capital project.

Notes payable at March 31, 2004 for the governmental activities are as follows:

\$500,000 Capital Project note payable dated September 1, 2002, due in monthly installments ranging from \$4,049 to \$4,141 through August 1, 2007, with interest of 3.38 percent. A balloon payment of \$271,014 is due at maturity.	\$ 431,906
\$130,000 Capital Project note payable dated August 12, 2003, due in monthly installments ranging from \$591 to \$668 through August 10, 2008, with interest of 2.81 percent. A balloon payment of \$93,460 is due at maturity.	<u>126,773</u>
	<u>\$ 558,679</u>

Township of Eagle  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

**NOTE E: LONG-TERM DEBT - CONTINUED**

Direct Township Obligations

Year Ending March 31,	Principal	Interest	Total
2005	\$ 52,292	\$ 17,344	\$ 69,636
2006	54,043	15,593	69,636
2007	55,852	13,784	69,636
2008	299,709	6,824	306,533
2009	<u>96,783</u>	<u>1,337</u>	<u>98,120</u>
	<u>\$ 558,679</u>	<u>\$ 54,882</u>	<u>\$ 613,561</u>

**NOTE F: RETIREMENT PLAN**

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depends solely on the amount contributed to the participant's account and the returns earned on the investments of those contributions. The Eagle Township Pension Plan is administered by The Manufacturers Life Insurance Company.

The Township is required to contribute \$200 per \$1,000 of compensation paid for all eligible employees. Contributions to the pension plan by the Township for the year ended March 31, 2004, were \$13,600.

**NOTE G: RISK MANAGEMENT**

The Township is exposed to various risks of loss for workers' compensation for which the Township carries commercial insurance.

The Township also participates in a pool, the Michigan Township Participating Plan, with other municipalities for property, liability, wrongful acts, auto, crime, in-land marine, and bonding losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

**NOTE H: FUND EQUITY RESERVES**

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use.

The following are the various fund balance reserves as of March 31, 2004:

General Fund	
Reserved for:	
Prepaid expenditures	\$ 2,998
Advances to fiduciary fund	<u>18</u>
	<u>\$ 3,016</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

Township of Eagle

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES

Year Ended March 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Taxes				
Current and delinquent property taxes	\$ 75,253	\$ 75,253	\$ 72,320	\$ (2,933)
Trailer tax	36	36	79	43
Total taxes	75,289	75,289	72,399	(2,890)
Licenses and permits				
Franchise fees	1,500	1,500	2,184	684
Intergovernmental - State				
State shared revenue	130,000	130,000	151,052	21,052
Charges for services				
Administrative fee	23,024	23,024	22,863	(161)
Land division	2,500	2,500	1,100	(1,400)
Total charge for services	25,524	25,524	23,963	(1,561)
Interest and rents				
Interest	4,500	4,500	4,187	(313)
Rents	1,500	1,500	1,630	130
Total interest and rents	6,000	6,000	5,817	(183)
Other				
Special assessments	13,000	13,000	13,000	-0-
Refunds and reimbursements	-	-	63	63
Miscellaneous	50	50	4,348	4,298
Total other	13,050	13,050	17,411	4,361
TOTAL REVENUES	251,363	251,363	272,826	21,463
OTHER FINANCING SOURCES				
Note proceeds	-	130,000	130,000	-0-
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 251,363	\$ 381,363	\$ 402,826	\$ 21,463

Township of Eagle

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY

Year Ended March 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Legislative	\$ 18,200	\$ 18,900	\$ 15,391	\$ 3,509
Supervisor	24,000	24,100	22,565	1,535
Assessor	2,500	23,400	21,399	2,001
Clerk	14,500	14,600	14,484	116
Board of review	1,600	1,600	364	1,236
Treasurer	15,000	15,600	15,331	269
Township hall	8,500	9,500	8,300	1,200
Elections	6,000	6,000	28	5,972
Cemetery	4,000	4,000	3,724	276
Total general government	94,300	117,700	101,586	16,114
Public safety				
Emergency management	600,000	580,000	579,523	477
Planning commission	433	433	-	433
Total public safety	600,433	580,433	579,523	910
Public works				
Highways and streets	45,000	102,000	80,619	21,381
Drain at large	3,000	5,800	5,782	18
Total public works	48,000	107,800	86,401	21,399
Other	38,050	45,500	36,557	8,943
Capital outlay	4,000	6,000	5,914	86
Debt service				
Principal	-	46,700	46,563	137
Interest	17,000	19,200	17,745	1,455
Total debt service	17,000	65,900	64,308	1,592
TOTAL EXPENDITURES	\$ 801,783	\$ 923,333	\$ 874,289	\$ 49,044

Township of Eagle  
Emergency Services Fund  
BUDGETARY COMPARISON SCHEDULE  
Year Ended March 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 135,920	\$ 135,920	\$ 143,742	\$ 7,822
Charges for services	4,000	4,000	10,729	6,729
Interest and rents	700	700	349	(351)
Other				
Special assessments	<u>10,323</u>	<u>10,323</u>	<u>10,323</u>	<u>-0-</u>
TOTAL REVENUES	150,943	150,943	165,143	14,200
EXPENDITURES				
Health and welfare				
Emergency services	<u>138,088</u>	<u>211,188</u>	<u>209,974</u>	<u>1,214</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,855	(60,245)	(44,831)	15,414
Fund balance, beginning of year	<u>126,433</u>	<u>126,433</u>	<u>126,433</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 139,288</u>	<u>\$ 66,188</u>	<u>\$ 81,602</u>	<u>\$ 15,414</u>

## **OTHER SUPPLEMENTARY INFORMATION**

Township of Eagle

Non-major Governmental Funds

COMBINING BALANCE SHEET

March 31, 2004

	Special Revenue		Permanent	Total
	Street	METRO	Niles	Non-major
	Lights	Act	Cemetery	Governmental
				Funds
ASSETS				
Cash	\$ 5,632	\$ 1,216	\$ 12,135	\$ 18,983
Due from other governmental units -				
Local	80	-	-	80
TOTAL ASSETS	<u>\$ 5,712</u>	<u>\$ 1,216</u>	<u>\$ 12,135</u>	<u>\$ 19,063</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES	\$ -	\$ -	\$ -	\$ -0-
FUND BALANCES				
Unreserved - undesignated	<u>5,712</u>	<u>1,216</u>	<u>12,135</u>	<u>19,063</u>
TOTAL LIABILITIES AND				
FUND BALANCES	<u>\$ 5,712</u>	<u>\$ 1,216</u>	<u>\$ 12,135</u>	<u>\$ 19,063</u>



Township of Eagle

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended March 31, 2004

	Special Revenue		Permanent	Total
	Street	METRO	Niles	Non-major
	Lights	Act	Cemetery	Governmental
				Funds
REVENUES				
Taxes	\$ 1,360	\$ -	\$ -	\$ 1,360
Intergovernmental - State	-	1,211	-	1,211
Interest and rents	32	5	69	106
TOTAL REVENUES	1,392	1,216	69	2,677
EXPENDITURES				
Public works	1,782	-	-	1,782
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(390)	1,216	69	895
Fund balances, beginning of year	6,102	-	12,066	18,168
Fund balances, end of year	\$ 5,712	\$ 1,216	\$ 12,135	\$ 19,063

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

MANAGEMENT LETTER

To the Members of the Township Board  
Township of Eagle  
Eagle, Michigan

As you know, we have recently completed our audit of the records of the Township of Eagle, Michigan as of and for the year ended March 31, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management. These weaknesses are not considered reportable conditions in relation to the basic financial statements of the Township of Eagle, Michigan, but may be areas of possible improvement.

1. The Board of Trustees should consider adopting additional administrative policies and procedures.

During discussions with management, we noted that the Board of Trustees has not formally implemented written procedures and policies for several areas of operation. We believe that by documenting specific policies, employees will have a clearer understanding of the Township's expectations. We also believe that such documentation will provide greater internal control over those areas of operation. Specifically, we suggest that the Board develop, formally adopt, and implement written procedures and policies in the following areas:

- a. Capital Asset Management - We suggest that the Board adopt a policy for the disposal of capital assets. The policy should specify that the disposal of capital assets requires formal approval by the Board of Directors. Such approval should be documented in the minutes of the Board meetings.
- b. Electronic Funds Transfer Policy - We suggest that the Board adopt a policy for electronic fund transactions. The Township had used electronic fund transfers but did not have the necessary electronic funds policy required by the State of Michigan. The Township should adopt a formal electronic fund transfer policy as soon as possible to comply with State of Michigan requirements.
- c. Disaster Recovery Plan - We suggest the Board adopt a disaster recovery plan. The plan should identify areas of operation that are critical to the Township and detail how the Township would continue to operate in the absence of those critical areas of operation.
- d. Code of Conduct - We suggest the Board adopt a code of conduct. The code should include a policy on conflicts of interest and the Board should require employees to periodically make a declaration of compliance.

2. The Township should review certain aspects of the budgeting process.

During the course of the audit it was noted that one (1) Special Revenue Fund (METRO Act) did not have an adopted budget.

Although the METRO Act Fund did not incur any expenditures during the year ended March 31, 2004, the Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated.

We suggest the Township formally adopt and monitor a budget for all Special Revenue Funds.

3. Segregation of duties should be increased in the areas of fire run billings and bank reconciliations.

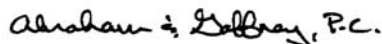
During our discussions with management, it was noted that the Clerk has responsibility for fire run billings and collections. It was also noted that there is not an independent review of the bank reconciliations completed by the Treasurer.

The concept of internal control is that one individual does not have the ability to perform all functions within a process. We suggest the Board evaluate these processes and segregate some of the duties in order to provide better internal control and safeguard the assets of the Township.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated July 22, 2004.

This report is intended solely for the information of management and the Members of the Township Board of the Township of Eagle and is not intended to be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation to us during our audit. We are available to discuss any issues with you and to provide assistance in the implementation of improvements.



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

July 22, 2004